

EXHIBIT A

Look for better ways to spend phone subsidy

Nebraska has an opportunity to spend millions of tax dollars more efficiently by redirecting subsidies now going to support old-fashioned phone service by landline in rural Nebraska.

Instead the money could be spent on modern cell phone technology that in some respects might provide better service than rural residents now receive on their landlines.

The money for those subsidies comes from a 6.9 percent fee, which will drop to 5.75 percent Oct. 1, on phone bills paid by all phone customers in Nebraska. Basically urban customers are subsidizing service in rural areas, following the decades-old philosophy that universal phone service benefits society.

Sen. Mike Foley of Lincoln already has given notice that he intends to push for the change. Early indications are that any change will meet fierce resistance from entrenched companies now offering landline service.

Foley presents a convincing case that cell phone technology would be more cost effective.

Elsie Communications Inc. in Perkins County in far western Nebraska, for example, receives about \$1 million a year in subsidies to service about 230 customers, Foley said. That comes out to about \$4,400 a customer per year.

For that amount of money, Foley says, a company could put up four cell phone towers that presumably would go along way to putting customers in the sparsely populated county in touch with the rest of the world.

There are complicating factors in the discussion. Special equipment is needed to trace wireless Emergency 911 calls cannot be traced back to an address as easily as landline phones, for example. And dial-up Internet access may be more complicated than it is with a land line phone.

There are also other unexplored aspects. When landline technology was the only alternative, the goal was to provide comparable service to both rural and urban areas at equivalent cost to the customers. Is it fair to require rural phone customers to make do with one or the other, but not both?

In Nebraska wireless phone companies are not regulated. How could they be held accountable if government granted them tax subsidies?

In rural Nebraska much of the phone service is provided by small phone companies that rely heavily on the \$60 million in taxes collected every year from Nebraska phone companies.

So far the Public Service Commission has declined to use money from the fund to help wireless companies provide service in rural Nebraska. Since some areas in Nebraska are sparsely populated there is little financial incentive for wireless companies to provide service on their own.

But wireless technology is no longer experimental. In urban areas increasing numbers of phone customers have chosen to drop their landlines and to use cell phones exclusively.

Meanwhile the universal service fund continues to funnel millions of dollars from urban phone customers to companies using old technology to serve rural areas in the state.

A bill that Foley introduced on the topic stalled in the Legislature last year. But an interim legislative study, including a public hearing this fall in western Nebraska, is now underway. The Public Service Commission also has launched a study that will include a public hearing.

One way illustration of the cost-effectiveness of wireless phone service is its popularity in Third World countries, some of which basically leapfrogged over the wired stage altogether. If people in the Third World can use wireless phone service, it's hard to understand why rural Nebraska should remain stuck in the past.